

REVISION OF DEFENSE HEADQUARTERS DIRECTIVE 5100.73:

Status Report to Congress, pursuant to Section 911(b)(2) of the FY1998 Authorization Act (P.L. 105-85) and Section 932 of the FY 1999 Authorization Act (P.L. 105-261)

DoD Directive 5100.73, "DoD Management Headquarters Activities" (November 16, 1996), establishes a system to identify and manage the number and size of major headquarters activities in the Department of Defense. This report summarizes the status of this effort, and describes issues that are being addressed as DoD prepares for the formal adoption of the revised Directive

DoD'S REVIEW

In September, 1997, the Director of Administration and Management for the Office of the Secretary of Defense established a Working Group to revise Directive 5100.73. It comprises representatives from the Military Departments, the Joint Staff, the Under Secretary (Personnel and Readiness), the Under Secretary (Comptroller), and OSD's Directorate for Administration and Management. The charter directed the Working Group to provide "recommendations regarding the revision, replacement, or augmentation of DoDD 5100.73 and the revision of the definitions of the terms 'management headquarters' and 'headquarters support activities'."

DoD formed the Working Group to prepare for a legislative reporting requirement included in Section 911(b)(2) of the FY 1998 Authorization Act (P.L. 105-85), which directed the Secretary of Defense to provide recommendations regarding:

- (A) *the revision replacement, or augmentation of Department of Defense Directive 5100.73, entitled "Department of Defense Management Headquarters and Headquarters Support Activities," as in effect on November 12, 1996; and*
- (B) *the revision of the definitions of the terms "management headquarters activities" and "management headquarters support activities" under that Directive so that those terms apply uniformly throughout the Department of Defense.*

THE REVISED DIRECTIVE STRENGTHENS OVERSIGHT AND CLARIFIES THE DEFINITION OF HEADQUARTERS

The Working Group first met in October 1997, and has met frequently throughout 1997 and 1998. It reviewed Congressional concerns, developed independent findings based on its internal fact finding, and completed a draft revision of the

new Directive in November 1998. This draft is currently under review and final staffing for approval.

The DoD Working Group confirmed the need for readiness

The Working Group reached a number of conclusions regarding the existing Directive and its implementation, which provided the basis for new draft. The Working Group found that DoD components often do not accurately report headquarters personnel in field operating activities and other direct reporting units. One reason for this is that the existing Directive requires reporting only by those activities or units where at least 25 percent of the personnel are performing headquarters activities. Another reason is that uncertainties and gray-areas in the reporting requirements, combined with limited oversight, led to inconsistencies and gaps in reporting. In particular, the definitions of headquarters functions were not consistently followed across various DoD offices and agencies; thus, staff who were performing headquarters-related activities were not always counted.

New provisions target key concerns

In revising the Directive to address these findings, the Working Group focused on incorporating provisions that would expand coverage to be comprehensive, increase consistency in the counting of headquarters personnel, and improve visibility of DoD managers into the numbers and costs of headquarters personnel. The new Directive also calls for the Inspectors General of the Services and DoD to review implementation activities. Once the Directive is fully implemented, better data will be available to assist the Department in its continuing efforts to ensure headquarters are appropriately staffed.

The revised Directive includes eight new provisions:

- Uniform coverage of major headquarters: The Directive specifically identifies all major management and command headquarters activities covered. These include Major Service Commands, Defense Agencies, and Unified Combatant Commands, as well as OSD, the Joint Staff, and Service headquarters. Everyone assigned to the headquarters activities identified in the Directive is counted as headquarters personnel.
- Comprehensive coverage of activities reporting directly to a major headquarters: Any activity that reports directly to a major headquarters activity identified in the Directive falls within the scope of the new Directive. This includes field operating agencies and other direct reporting units.
- Clear and simple counting rules: Each individual within an organization covered by the Directive is subject to a determination as to whether his or her work is a headquarters activity or a field operational activity. The Directive lists the specific functions defined as headquarters activities.

- Exclusion of international military headquarters personnel: Such personnel are excluded because they do not form part of DoD's internal management and command structure. Moreover, the requirements for these personnel are driven by such factors as treaties and international agreements, which are not under the control of DoD management. Nonetheless, the Directive retains the requirement to report the numbers of personnel at international military headquarters to ensure DoD managers have continued visibility into the size of these staffs.
- Improved visibility of headquarters personnel and costs in FYDP and PB-22 exhibits: Separate reporting is required for combatant headquarters and management headquarters. Separate budget exhibits will also be required for the Unified Combatant Commands, the Defense-wide managerial commands, and each of the Military Departments. This reporting will provide greater visibility into trends, and permit DoD managers to better relate trends in headquarters personnel to changing missions and responsibilities.
- More descriptive title: Renaming the Directive "Major DoD Headquarters Activities" eliminates the implication of the prior title that the Directive covers mainly "management" headquarters activities. The Directive covers both "command" and "management" headquarters activities.
- Implementation review within 120 days: DoD components are required to review their field operating activities and other direct reporting units within 120 days after the Directive is approved by the Deputy Secretary. These reviews will establish, within each activity and unit, those personnel who are to be counted as headquarters personnel for the purposes of the Directive. This effort will begin to build the baseline data needed for the management of headquarters personnel in the future.
- Reviews by the DoD IG and the Service IGs: The IG community will review the Directive's implementation throughout DoD.

DoD IS PREPARING TO IMPLEMENT THE REVISED DIRECTORATE

As described above, the revision of the DoD Directive is completed and is undergoing final staffing review. Pending the correction of some technical issues, the Directive is ready to be adopted. It is expected that it will go into force in the near future.

In parallel, the Department is making preparations for implementing the Directive, examining how the new data could be used to support management activities.

DoD will adapt headquarters personnel management practices to the Directive

Despite their shortcomings, the current definitions of headquarters personnel have provided a consistent baseline and an historic database for assessing trends in DoD's headquarters staffing. While no systematic study of the impact of the new definition has been made, it is expected that it will increase the reported number of headquarters personnel. In the long-run, DoD expects that the more comprehensive, consistent data will contribute to the effective management of headquarters personnel. But in the short-run, the change will create a number of challenges. The shift to the new Directive will require establishing a new baseline estimate of headquarters personnel and reorienting DoD's personnel management efforts to that baseline. To that end, the Directive requires DoD components to complete their initial review of the headquarters staffs and to develop revised baselines using the new definition within 120 days.

The changed definition also will negate the existing historical database as a point of reference for evaluating past staffing trends and proposed initiatives. The Department is evaluating the feasibility of creating new historical benchmarks based on the new definition, and relating these to the existing databases.

The current legislated reduction targets should be rescinded

The lack of historical benchmarks for headquarters staffing under the new definition presents challenges for DoD in responding to headquarters reduction targets imposed by Congress. Attempts to continue using today's definition to implement reduction targets, in parallel with the implementation of the new definition, will contribute to confusion and misunderstanding. DoD will work with Congress to establish a common understanding of DoD headquarters staffs based on the new definition. In the meantime, DoD believes the Directive could be more effectively implemented and integrated with ongoing management activities if the currently mandated targets for headquarters reductions were rescinded.

Rescinding targets for headquarters reductions will also assist DoD in implementing the ongoing Defense Reform Initiatives (DRI).¹ Thus far, the Secretary has issued more than 40 specific reform Directives, taking concrete actions to modernize and streamline defense management. With respect to headquarters personnel, the DRI has already targeted reductions averaging 10 percent (from a 1998 baseline), and DoD continues to evaluate organizations and budgets in an effort to align staffs with evolving missions and responsibilities. These DRI-imposed reductions are over and above the significant cuts in headquarters staffs made earlier in the 1990s.

¹ In March, 1998, the Comptroller of DoD requested that Congress rescind the requirement for quantitative headquarters reduction targets. See William J. Lynn, Letter to the Honorable Floyd D. Spence, Chairman, Committee on National Security, U.S. House of Representatives, 5 March 1998.

The Department believes that the DRI management framework is succeeding in creating the staffs and practices needed to perform headquarters functions effectively and efficiently. The 25 percent reduction targets in the 1998 Authorization Act would risk undermining this approach, forcing the imposition of arbitrary cuts that could reduce the effectiveness of many essential combat and support organizations. By rescinding these targets, Congress would give the Secretary the flexibility he needs to continue forging effective headquarters structures through the ongoing Defense Reform Initiatives.



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Honorable Jerry Lewis
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives
Washington, DC 20515-6018

Dear Mr. Chairman:

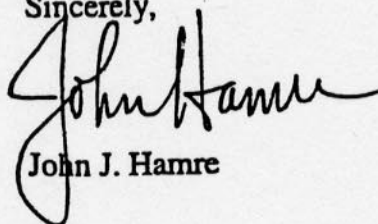
As you know, Section 932 of the FY 1999 National Defense Authorization Act (NDAA) requires the Office of the Secretary of Defense (OSD) to meet the following requirements:

- Section 904(b) of the FY 1997 NDAA requires the Secretary of Defense to submit the results of a review on the size, mission, organization and functions of Military Departments Headquarters staffs.
- Section 911(b) of the FY 1998 NDAA requires the Secretary of Defense to submit a report on DoD's plan to reduce management headquarters personnel by 25% and make recommendations regarding the revision of the DoD directive on management headquarters and the definition.
- Section 911(c) of the FY 1998 NDAA expanded the duties of the Task Force on Defense Reform to assess duplications, streamline, reduce and eliminate redundancies in DoD management headquarters and requires the Secretary of Defense to submit a report on their recommendations.

To meet one of the above requirements, we formed a working group composed of representatives from OSD, the Joint Staff, the Military Departments, and the Defense Agencies. Attached are the results of the working group's review of revisions to the DoD Directive on management headquarters and the management headquarters definition, as required under Section 911(b) of the FY 1998 NDAA. We are currently preparing our responses to the other legislative requirements and will submit them as soon as they are available. In addition, briefings are being prepared for your staff once the reports are complete.

I hope the enclosed is responsive to your concerns.

Sincerely,


John J. Hamre

cc: Honorable John P. Murtha